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Letter dated 5 November 2015 from the Secretary-General addressed to the President of the Security Council

Pursuant to Security Council resolution 1031 (1995), I have the honour to transmit the forty-eighth report on the implementation of the Peace Agreement on Bosnia and Herzegovina, covering the period from 21 April to 21 October 2015, which I received from the High Representative for Bosnia and Herzegovina (see annex).

I should be grateful if you would bring the report to the attention of the members of the Security Council.

(*Signed*) **BAN** Ki-moon

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Annex

Letter dated 26 October 2015 from the High Representative for Bosnia and Herzegovina addressed to the Secretary-General

Pursuant to Security Council resolution 1031 (1995), in which the Council requested the Secretary-General to submit to it reports from the High Representative in accordance with annex 10 to the General Framework Agreement for Peace in Bosnia and Herzegovina and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present to you the forty-eighth report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina. I would ask that the report be distributed to the Security Council members for their consideration.

This is my fourteenth regular report to the Secretary-General since assuming the post of High Representative for Bosnia and Herzegovina and European Union Special Representative on 26 March 2009. The present report covers the period from 21 April 2015 to 21 October 2015.

Should you or any Council member require any information beyond what is provided in the attached report or have any questions regarding its contents, I should be pleased to provide you with it.

(*Signed*) Valentin **Inzko**

Forty-eighth report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina

Summary

The present report covers the period from 21 April 2015 to 21 October 2015. The reporting period has been dominated by several notable developments: the decision of the Republika Srpska authorities to hold a referendum that directly challenges the General Framework Agreement for Peace and the threat of the Republika Srpska-based Alliance of Independent Social Democrats (SNSD) to hold an independence referendum in 2018; the entry into force of the Stabilization and Association Agreement; other steps to advance the European Union reform agenda, such as the adoption of the new Federation Labour Law; and a number of notable security incidents.

The decision of the Republika Srpska authorities to hold a referendum that directly challenges the General Framework Agreement for Peace and the threat of SNSD to hold an independence referendum in 2018 represent an escalation of the SNSD policy to challenge the fundamentals of the Agreement and the steps taken to implement it. I refer you to my special report of 4 September for details on what is one of the most serious challenges to the Agreement since its signing in 1995. In addition, the reporting period was marked by a number of fresh statements by officials from the Republika Srpska calling for that entity's secession from Bosnia and Herzegovina. Under the authority vested in me, I use this report to once again make clear that the entities have no right to secede from Bosnia and Herzegovina under the General Framework Agreement for Peace and that the sovereignty and territorial integrity of Bosnia and Herzegovina are guaranteed by the Agreement, the Bosnia and Herzegovina Constitution and international law.

The signing and adoption of Bosnia and Herzegovina's written commitment to the European Union integration process opened the way for the European Union to take a decision for the Stabilization and Association Agreement with Bosnia and Herzegovina to enter into force on 1 June. The subsequent adoption of the reform agenda by State and entity authorities and the delivery of concrete steps, such as the Federation's adoption of the new Labour Law, offer hope that the authorities may finally start to focus on delivering the reforms that would enable Bosnia and Herzegovina to apply for European Union candidate country status and to unlock the activation of the North Atlantic Treaty Organization (NATO) Membership Action Plan. As noted in previous reports, Bosnia and Herzegovina needs to make a decisive break with the past by doing politics in a new way, one that puts the interests of citizens and the country as a whole first.

Regarding the NATO Membership Action Plan, I warmly welcome the registration of defence property in the name of the State of Bosnia and Herzegovina that has taken place in the Federation, and now look for similar progress to be made in the Republika Srpska. It should be noted that the decision to send Bosnia and Herzegovina's formal application for the NATO Membership Action Plan was taken unanimously by the Serb, Bosniak and Croat Members of the Presidency in 2010 and transmitted with the signature of the Presiding Serb Member of the Presidency coming from the SNSD party.

The reporting period also saw several security incidents that run the risk of having a wider impact on the situation in Bosnia and Herzegovina. The shooting at a police station in Zvornik on 27 April, several attacks on returnees which appear to have been ethnically motivated, and the attack on the Prime Minister of Serbia at the twentieth anniversary commemoration for the genocide committed in Srebrenica, confirmed the potential for security incidents to occur at any time. The rise in such security incidents is something that the international community should be concerned about.

Given the complex environment that continues to prevail in the country, the presence of the European Union military mission in Bosnia and Herzegovina (EUFOR) with an executive mandate remains of vital importance, enabling my Office and others in the international community to fulfil our respective mandates as well as reassure citizens from all ethnic groups throughout the country of a safe and secure environment.

I. Introduction

1. This is my fourteenth report to the Secretary-General since assuming the post of High Representative for Bosnia and Herzegovina. It provides a narrative description of progress made towards attaining the goals outlined in previous reports, registers factual developments, logs relevant citations relating to the reporting period and provides my assessment of the implementation of key areas falling under my mandate. I have focused my efforts on addressing these areas, in line with my primary responsibility to uphold the civilian aspects of the General Framework Agreement for Peace, while also encouraging progress on the five objectives and two conditions necessary for the closure of the Office of the High Representative and working to preserve steps that have been undertaken previously to implement the Agreement.

2. My energies continue to be directed towards meeting my mandate, as defined under annex 10 to the General Framework Agreement for Peace and relevant resolutions of the Security Council. My Office fully supports the efforts of the European Union and the North Atlantic Treaty Organization (NATO) to help Bosnia and Herzegovina move along the path towards closer integration with those organizations.

II. Political update

A. General political environment

3. I regret that challenges to the General Framework Agreement for Peace have increased during the reporting period. Most seriously, on 15 July 2015, the Republika Srpska National Assembly adopted a decision to hold a referendum in the Republika Srpska on the validity of the legislation on the Court and Prosecutor's Office of Bosnia and Herzegovina, and the applicability of these institutions' decisions on the territory of that entity, as well as on the authorities and decisions of the High Representative. In other words, the referendum question proposes that the Republika Srpska leave the common judicial space of Bosnia and Herzegovina. The Republika Srpska National Assembly took this step despite a clear prior warning on 14 July from the Steering Board Ambassadors of the Peace Implementation Council, minus the Russian Federation, which did not join the statement of the Peace Implementation Council.

4. These actions have cast a shadow over positive efforts by political actors in Bosnia and Herzegovina to advance economic and social reforms that would address the problems facing the country and potentially unlock further progress towards the European Union, following the entry into force of the Stabilization and Association Agreement on 1 June. The readiness of the authorities to advance the reform agenda has been the bright spot of the reporting period and it is now imperative that these efforts are accelerated, while the Republika Srpska referendum is put aside and future actions remain in full compliance with the General Framework Agreement for Peace.

5. The reporting period has also been marked by several security incidents that raise concern about the overall atmosphere in the country and the ongoing need for reconciliation to be advanced in local communities, and in the country as a whole.

6. Following the withdrawal of the Democratic Front (DF) party from the ruling coalition in the Federation, the Federation Parliament has been without a stable majority. On a more positive note, the government formation process following the October 2014 general elections was completed during the reporting period, with new cantonal governments finally elected in Canton 10 on 5 May, Central Bosnia Canton on 9 June and Herzegovina-Neretva Canton on 23 September.

B. Decisions of the High Representative during the reporting period

7. During the reporting period, I refrained from using my executive powers in line with the policy of the Steering Board of the Peace Implementation Council of emphasizing "local ownership" over international decision-making.

C. Five objectives and two conditions for closure of the Office of the High Representative

Progress on objectives

8. During the reporting period, the authorities in Bosnia and Herzegovina made limited progress towards meeting the outstanding objectives (5+2 agenda) set by the Steering Board of the Peace Implementation Council as necessary for the closure of the Office of the High Representative.

State and defence property

9. The process of registering so-called prospective defence property under the ownership of the State of Bosnia and Herzegovina, which the Bosnia and Herzegovina Ministry of Defence initiated in December 2014, is progressing well, albeit only in the Federation. Owing to the efforts of the Bosnia and Herzegovina Ministry of Defence and the Public Attorney's Office, 18 prospective defence locations have been successfully registered under the ownership of the State of Bosnia and Herzegovina so far, while several others are in various phases of the registration process.

10. In the Republika Srpska, obstacles to the registration of prospective defence properties have been encountered. On 19 August 2015, the Bijeljina Field Office of the Republika Srpska Administration for Geodetic and Property-Related Affairs issued a first-instance decision rejecting the request for the registration of a defence location, owing to what the Field Office claimed to be the "non-existence of a valid legal basis", despite there being a clear basis provided by the Bosnia and Herzegovina Law on Defence and relevant decisions of the Bosnia and Herzegovina Presidency. This first-instance decision is currently under review in an appeals procedure before the Republika Srpska Geodetic Administration in Banja Luka.

11. In addition to this rejection of a registration request in the Republika Srpska, there is also an ongoing property dispute before the Court of Bosnia and Herzegovina regarding the "Veliki Žep" defence location in the Han Pijesak municipality in the Republika Srpska. On 3 July, the Court of Bosnia and Herzegovina rendered a first-instance judgement in the property dispute, in which it accepted the litigation claim of the State of Bosnia and Herzegovina and explicitly determined that the State of Bosnia and Herzegovina has ownership rights over this

particular defence location. I welcome this court ruling. In the explanation of the judgement, the Court of Bosnia and Herzegovina established that the State property of the former Socialist Federal Republic of Yugoslavia located on the territory of Bosnia and Herzegovina (including defence property) had been transferred into the ownership of the State of Bosnia and Herzegovina on 1 March 1992, on the basis of and pursuant to the Agreement on Succession Issues of the former Socialist Federal Republic of Yugoslavia. Additionally, the Court acknowledged other legal arguments put forward by the State of Bosnia and Herzegovina, including the relevant decision of the Bosnia and Herzegovina Constitutional Court of July 2012, the Bosnia and Herzegovina Law on Defence, the relevant decisions of the Bosnia and Herzegovina Presidency and the High Representative's Law on the Temporary Prohibition of Disposal of State Property of Bosnia and Herzegovina. The Appellate Division of the Court of Bosnia and Herzegovina is currently processing the appeal of the Republika Srpska against this first-instance judgement. The second-instance judgement is expected in the next several weeks.

Fiscal sustainability

12. The Office of the High Representative continued to follow, analyse and inform its international partners on developments related to fiscal sustainability, including developments in the Bosnia and Herzegovina Fiscal Council and the Bosnia and Herzegovina Indirect Taxation Authority Governing Board. During the reporting period, the Bosnia and Herzegovina Fiscal Council met twice, adopting the Global Framework of Fiscal Balance and Policies for 2016-2018, which will provide a basis for the preparation of the budgets for 2016.

13. The Indirect Taxation Authority Governing Board met four times in the reporting period, and among other acts, approved the decision on criteria for determining large tax payers as proposed by the Authority, designed to improve tax oversight. A session held on 29 July was significant, as the Board agreed on the allocation of accumulated road toll revenues as well as on the indirect tax revenue allocation coefficients for the third quarter of the year. Owing to past opposition of the Republika Srpska, this was the first time in over a year that the Governing Board adjusted entity coefficients. Delaying these adjustments calls into question compliance with the Governing Board regulations and results in unsettled debts between the entities. This practice has been misused to challenge the indirect tax system, which provides most of budget revenue at all levels of government in Bosnia and Herzegovina.

14. An illustration of this was the recent lawsuit by the Republika Srpska against the Indirect Taxation Authority, which may have serious implications on the future functioning of the indirect tax system. On 7 May, the Court of Bosnia and Herzegovina issued a final ruling in the civil case *Republika Srpska vs. the Bosnia and Herzegovina Indirect Taxation Authority*, in which the Republika Srpska sued the Authority for compensation in relation to indirect tax revenue incorrectly allocated to the Federation in 2009 and 2010. As mentioned above, regular delays by the Governing Board of the Authority in adjusting coefficients and rebalancing revenues within the legal deadlines owing primarily to challenges from the Republika Srpska are the source of regular debts between the entities. In this particular case, the capital debt of BAM 52 million (approximately €26 million) was already settled by the Federation in 2011, but the Republika Srpska sued the Authority for interest on this debt. The Court of Bosnia and Herzegovina ruled in

favour of the Republika Srpska, obliging the Indirect Taxation Authority to pay to the Republika Srpska over BAM 15 million within 30 days. The Authority has appealed the case to the Constitutional Court of Bosnia and Herzegovina.

Brcko District

15. In May, a dispute in the Brcko District Assembly over a proposed resolution on the Srebrenica genocide precipitated a falling-out within the ruling coalition, a three-month break in assembly sessions and a month-and-a-half break in government sessions. Several citizens associations, including unemployed youth, health-care workers and farmers, participated in strikes against the authorities' inaction during this period. The crisis was defused and assembly sessions resumed in September. Both the executive and the assembly are now meeting regularly.

16. During the reporting period, my Office continued to work with the Brcko District institutions in preparing laws related to financial matters, relevant for the implementation of the memorandum on institutional cooperation and exchange of data among the four tax administrations in Bosnia and Herzegovina. The laws also aim to support the District in improving transparency in the business environment, fighting the grey economy and harmonizing the District's legal system with the rest of the country.

17. My Office also continued to work with the District institutions to amend the Brcko District Assembly decision of 2012 on the protection of the civilian victims of war, according to which civilian victims of sexual violence were required to produce evidence of a judicial conviction against perpetrators in order to obtain the status of a civilian victim and receive compensation and other benefits. As a consequence of the application of this decision, many civilian victims who live in the Brcko District have moved to the Federation or registered their place of residence there in order to be recognized as victims of war and to be entitled to benefits. In a welcome move, the Brcko District Assembly adopted the amended decision on 10 June 2015 and I now look forward to the new system being implemented in a manner that ensures the rights of these civilian victims to assistance.

18. On 6 October, the Brcko District Appellate Court ruled that the Brcko District budget for 2015 was not adopted in line with requirements on ethnic quorums during voting, and therefore the previously adopted budget was no longer in force. The Brcko District Assembly scrambled to ensure continued financing in the wake of the Court's decision, amending the Brcko District Law on Budget to allow temporary financing beyond the first quarter, which the Assembly subsequently approved until the end of 2015. Considering the limited scope of budget payments allowed under temporary financing, the readoption of a budget for 2015 would be the best way to address the financing gap, in line with the Appellate Court's decision.

D. Challenges to the General Framework Agreement for Peace

Challenges to the sovereignty and territorial integrity of Bosnia and Herzegovina

19. During the reporting period, officials from SNSD, the ruling party in the Republika Srpska, continued their practice of directly challenging the General Framework Agreement for Peace and the sovereignty and territorial integrity of Bosnia and Herzegovina. The Republika Srpska President, who is also the President

of SNSD, continued to be the most frequent and vocal exponent of state dissolution. These statements alternated between arguing that the dissolution of the country is inevitable,[1] threatening a Republika Srpska secession referendum if certain demands were not met,[2] and announcing that a referendum on independence would occur.[3] He also continued to claim, incorrectly, that the Republika Srpska was already a state and that the State of Bosnia and Herzegovina did not enjoy competencies or sovereignty except as they derived from the entities.[4] In addition, under his initiative, the Republika Srpska National Assembly and his party, SNSD, took concrete steps that threaten to violate the General Framework Agreement for Peace.

Decision of the Republika Srpska National Assembly *on holding a referendum*

20. On 15 July, the Republika Srpska National Assembly adopted a decision to hold a referendum in the Republika Srpska on the validity of the legislation of the Court and Prosecutor's Office of Bosnia and Herzegovina, and the applicability of these institutions' decisions on the territory on that entity, as well as on the authorities and decisions of the High Representative. The referendum question provided in the Republika Srpska National Assembly decision on calling the Republika Srpska entity-wide referendum is as follows:

> Do you support the unconstitutional and unauthorized imposition of laws by the High Representative of the international community in Bosnia and Herzegovina, particularly the imposed laws on the Court and Prosecutor's Office of Bosnia and Herzegovina and the implementation of their decisions on the territory of Republika Srpska. [sic]

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[1] "You won't find anyone in the RS who does not agree with the thesis that it is inevitable that one day the RS and Serbia will in some way be the same in the legal state and political sense." Milorad Dodik, *Vijesti.ba*, 18 October 2015; "Bosnia and Herzegovina will collapse; it will collapse with them and without me. I believe that I have even contributed to its sustainability. But it will fall apart." Milorad Dodik, *Newsweek Srbija*, 21 September 2015.

[2] "We have told everybody that we want a dialogue. If you do not want to have a dialogue with us, if you do not want to harmonize Bosnia and Herzegovina with Dayton, in 2017 our proposal will be a referendum on the status of the RS. And that status implies a free and independent Republika Srpska." Milorad Dodik, *NIN magazine*, 28 May 2015; "In that regard we said clearly that, unless there are visible and tangible elements of stabilization of the RS in accordance with the Constitution until 2017, meaning that many competencies that were stolen must be returned, in 2018 the RS will carry out a referendum on its status, to determine its status. The proposal will be an independent state." Milorad Dodik, *Blic online/FENA, Istocno Sarajevo SNSD Congress*, 25 April 2015.

[3] "I am ready to be sacrificed so that we could exercise our right to a referendum because Srpska is the meaning of the historical struggle of these people. We are free in Srpska today. We must never stop fighting for independence." Milorad Dodik, *Večernje novosti*, 27 July 2015; "Now I am glad that the SNSD adopted the Declaration with which we do not call for a war but for the UN Charter, which defines that peoples have the right to self-determination until secession ... in the referendum we will ask the citizens whether they want to live in an independent RS, and if they say 'yes', we will make that decision. If NATO wants to arrest us all because of that, let them do it." Milorad Dodik, *Blic online/SRNA*, 13 May 2015.

[4] "We Serbs have the right to regulate our two states — Serbia and the RS, and we will do it; our message is that there is room for everyone who wants peace, cooperation, good and comfortable life." Milorad Dodik, *RTRS*, 4 August 2015; "We are fighting for a state ... It's about a state here which is called Republika Srpska. It brought its territory and sovereignty, its capacity into the Dayton Bosnia and Herzegovina, which is a state only in the international legal sense, while it has no competences internally." Milorad Dodik, *N1*, 28 July 2015.

21. With the referendum at hand, the Republika Srpska authorities are acting unilaterally in an area where the State of Bosnia and Herzegovina, not the entity, has constitutional authority. They would effectively ask citizens of the Republika Srpska whether the entity should "opt out" of its requirement to comply with the laws establishing the State judicial authorities as well as the decisions taken by these authorities. As such, the referendum constitutes an open challenge to the sovereignty of Bosnia and Herzegovina and a violation of the Republika Srpska's commitments and obligations arising under the Bosnia and Herzegovina Constitution, as set forth in annex 4 to the General Framework Agreement for Peace.

22. The referendum also seeks to determine whether the authorities of the High Representative, in particular legislation enacted by the High Representative, should be recognized by the entity. As with the State judiciary, the entity does not have the authority to make this determination, since the authorities of the High Representative arise under international law.

23. This act by the Republika Srpska National Assembly should also be seen in the context of the long-standing policy of officials from SNSD to challenge the sovereignty and territorial integrity of Bosnia and Herzegovina, including through open advocacy for the secession of the Republika Srpska and the dissolution of the country. In this regard, it is worth highlighting that, in April 2015, the leading party in the Republika Srpska, SNSD, adopted as part of its official party platform the goal of pursuing the Republika Srpska as an "independent state within its current borders" and called for a referendum on secession in 2018 if the party's demands with regard to redistributing competencies between levels of government are not met.

24. Having these considerations in mind, I consider that the adoption of this decision by the Republika Srpska National Assembly, together with the official positions expressed by the Republika Srpska President before and after its adoption, represents one of the most serious violations of the General Framework Agreement for Peace since its signing in 1995 and puts under serious threat peace implementation since then.

25. Given that this constitutes a clear breach of the Agreement, on 4 September I sent the Security Council a detailed special report on this matter.

26. Since I submitted my report of 4 September, there have been no major developments on this issue, as at the time of writing, the decision of the Republika Srpska National Assembly on the referendum has yet to be published in the *Official Gazette* and is therefore not yet in force.

SNSD party adopts declaration on the holding of a Republika Srpska independence referendum in 2018

27. As referenced above, the SNSD party adopted a declaration on 25 April, entitled "Republika Srpska — free and independent — future and responsibility". In this document, the ruling party in the Republika Srpska stated its intention to organize a referendum on the independence of the Republika Srpska in 2018 if demands related to the distribution of competences between the entities and the State are not met by 2017. Furthermore, the declaration suggests that the Republika Srpska authorities might decide at a future point to regulate "by law which decisions made by the Bosnia and Herzegovina authorities shall be applicable on the territory

of the Republika Srpska". SNSD President Dodik reiterated publicly that if competencies which SNSD alleges were usurped from the entity are not "returned" by 2017, then there would be an independence referendum in 2018.

Republika Srpska National Assembly conclusions seek to bind State-level decision makers

28. On 20 October the Republika Srpska National Assembly adopted a set of conclusions which, among other provisions, seek to oblige elected and appointed State-level officials from the territory of the Republika Srpska in the Bosnia and Herzegovina State institutions to request opinions from relevant committees of the Republika Srpska National Assembly prior to adopting decisions and legal acts at the State level. The conclusions also call on the government to propose amendments criminalizing participation in the "unauthorized transfer of competencies from the Republika Srpska to the Bosnia and Herzegovina level". These conclusions represent a direct attempt to exert extreme pressure on State-level representatives from the Republika Srpska to follow instructions from the Republika Srpska and the current SNSD-led authorities, and more importantly, to subjugate the State-level institutions in violation of the Bosnia and Herzegovina Constitution. Although not yet in force and subject to subsequent consideration by the Republika Srpska Council of Peoples, these conclusions constitute a direct attack on the autonomy and independence of State-level officials and institutions.

29. Over the past six years there has been a consistent effort by the authorities of the Republika Srpska to negate the very agreement that recognized it as an entity. The Republika Srpska National Assembly Conclusions of 20 October 2015 are only the latest in a series of challenges to Dayton. These conclusions are in line with other conclusions recently adopted, by which the Republika Srpska National Assembly claims the right to accept or not accept constitutional court decisions. They rely on the false assumption that Bosnia and Herzegovina was established as a confederation in 1995 by two pre-existing "states" (the Republika Srpska and the Federation), and that consequently the State of Bosnia and Herzegovina can only exercise those powers that have been explicitly delegated by them, and only for as long as these two "states" agree. The conclusions formally disregard and/or reject the fundamentals of the Dayton Peace Agreement, in particular the principles established under annex 4 to the General Framework Agreement for Peace.

Challenges to peace and security

30. During the reporting period, several security incidents impacted the overall political situation in the country, demonstrating the need for greater effort to be made to advance reconciliation.

Gunman kills police officer in Zvornik

31. On 27 April, a Bosniak returnee from a village in the Zvornik municipality (Republika Srpska) opened fire on police officers outside the Zvornik police station with a long-barrelled weapon. He killed one police officer and wounded two others before police returned fire, killing him. All three police officers were Serbs.

32. In response, the Republika Srpska police conducted an operation throughout the Republika Srpska reportedly aimed at individuals suspected of links to terrorism, detaining several individuals, of which, after initial questioning, two

remained in custody. The Mayor of Zvornik, Zoran Stevanović, played an important role in calming the situation in Zvornik after the attack, and I wish to praise his leadership in particular for preventing any further deterioration of the security situation in that municipality.

33. While political actors throughout the country were quick to condemn the attack, some politicians from the Federation argued publicly over whether it should be qualified as terrorism and whether the response by the Republika Srpska police had unfairly targeted returnee communities. All relevant State institutions eventually condemned the attack, and the State-level Ministry of Security was tasked to prepare measures aimed at better coordination of police in preventing and responding to similar incidents in the future. On 30 July, the Parliamentary Assembly of Bosnia and Herzegovina adopted the conclusions of the Joint Defence and Security Committee, which described the attack on the police station in Zvornik. During the parliamentary debate, several delegates pointed to poor coordination between police bodies and unprofessional reporting, and to a lack of true capacity in Bosnia and Herzegovina to fight terrorism.

Attack on the Prime Minister of Serbia

34. During the twentieth anniversary commemoration of the Srebrenica genocide, a number of persons attacked the Prime Minister of Serbia, Aleksandar Vučić, with rocks and water bottles, causing minor injuries. The Council of Ministers of Bosnia and Herzegovina and the Bosnia and Herzegovina Presidency condemned the attack and demanded a thorough investigation. Both houses of the Parliamentary Assembly of Bosnia and Herzegovina also condemned the attack and offered an apology to the Prime Minister of Serbia. Prime Minister Vučić eased tensions with his statements that despite the incident, he would continue to work on reconciliation between Serbs and Bosniaks. The Bosnia and Herzegovina Presidency subsequently accepted Prime Minister Vučić's invitation and visited Belgrade on 22 July, which was held in a positive atmosphere, with calls for further cooperation between the two countries. I wish to praise Prime Minister Vučić for his courageous efforts before, during and after the commemoration to advance reconciliation efforts in the region.

Violent inter-ethnic incidents

35. On 14 July, three masked persons reportedly attacked a Bosniak returnee to the Republika Srpska in Vrbanjci, near Kotor Varos, beating him and carving the Cyrillic letter "S" four times into his stomach with a knife (representing a popular Serb national motto: Only Unity Saves the Serbs). The investigation is ongoing with the case still pending before the Banja Luka County Prosecutor's Office. No indictment has been issued.

36. On 12 August, a group of Serbs physically attacked a group of Bosniaks in Prijedor, sending one person to the hospital. The Republika Srpska police quickly identified and arrested the attackers.

37. On 15 August, a group of Croat youths left an open gas canister at the entrance to the mosque in the Bosniak village of Omerovici, in the Croat majority municipality of Tomislavgrad in the Federation. Local police reported that they detained six people connected to the incident, and sought an additional two suspects.

III. State-level institutions of Bosnia and Herzegovina

A. Bosnia and Herzegovina Presidency

38. The Bosnia and Herzegovina Presidency met regularly during the reporting period (eight regular and three urgent sessions) as it played a prominent role in seeking to advance Bosnia and Herzegovina along the European integration path. Soon after the Stabilization and Association Agreement between Bosnia and Herzegovina and the European Union entered into force on 1 June, the Presidency adopted the Master Plan for Integration into the European Union, which is a breakdown of activities and timelines for Bosnia and Herzegovina to acquire European Union candidate status by the end of 2017.

39. Upholding their agreement to work in a constructive atmosphere and avoid public disagreements, the three Presidency members agreed on a joint platform for presentations of the Bosnia and Herzegovina delegation at the United Nations General Assembly held in September.

40. On 4 May, the Presidency agreed on the proposed Bosnia and Herzegovina budget for 2015, which the Parliamentary Assembly of Bosnia and Herzegovina subsequently adopted. On 6 June in Sarajevo, the Presidency successfully hosted His Holiness Pope Francis, whose message of peace and reconciliation was warmly received throughout Bosnia and Herzegovina. On 8 October, the Presidency adopted reports on the participation of the Bosnia and Herzegovina armed forces in international peace operations, and proposed that the Bosnia and Herzegovina Parliament approve the continuation of the participation of Bosnia and Herzegovina military and police in missions in the Congo, Mali, Afghanistan, Liberia, South Sudan and Cyprus.

Bosnia and Herzegovina signs border treaty with Montenegro

41. In a welcome development, at its session on 23 July, the Presidency adopted the State Border Treaty between Bosnia and Herzegovina and Montenegro, which was signed by the two States at a ceremony in Vienna on 26 August. The Border Treaty now needs to be ratified. I hope this positive development will help to accelerate efforts to secure border treaties with Bosnia and Herzegovina's other neighbours.

B. Council of Ministers of Bosnia and Herzegovina

42. The Council of Ministers of Bosnia and Herzegovina continued to convene on a regular basis, holding 23 regular and 4 urgent sessions during the reporting period. The Council of Ministers advanced European Union-related issues, adopting the European Union Reform Agenda, a draft decision on the European Union Coordination Mechanism and the Action Plan for the implementation of the ruling in *Sejdić and Finci v. Bosnia and Herzegovina*. The Council of Ministers also managed to adopt multi-year strategic documents in the justice sector, on transportation policy, and on combatting terrorism, corruption and domestic violence. Playing its role to support economic development, the Council of Ministers successfully participated in the summit on the Western Balkans, held in Vienna on 27 August, where it won support for a number of projects. Additionally,

its members were active in preparing the 27 Bosnia and Herzegovina institutions to address the global migrant crisis. Officials of the Council of Ministers successfully overcame obstacles in the export of milk from Bosnia and Herzegovina to the European Union, and harmonized legislation on money-laundering and the financing of terrorism and procedures to avoid enhanced measures by international financial institutions.

43. In terms of legislation, while the Council of Ministers of Bosnia and Herzegovina workplan for 2015 envisioned the adoption of 65 legislative proposals by the end of 2015, the Council of Ministers has so far adopted only four new laws and five sets of amendments to existing legislation.[5]

C. Parliamentary Assembly of Bosnia and Herzegovina

44. The House of Representatives of Bosnia and Herzegovina held eight regular sessions, while the Bosnia and Herzegovina House of Peoples held seven regular sessions during the reporting period. While the legislative output of the Parliamentary Assembly of Bosnia and Herzegovina improved slightly, with three new laws and six amendments to existing legislation adopted, results continue to fall short of expectations.[6] Following up on the adoption, on 23 February, of the Written Commitment on European Union Reforms, the Parliamentary Assembly adopted, on 17 September, the Reform Agenda for Bosnia and Herzegovina for 2015-2018 as a framework document.

45. Following months of dispute, the appointment of the Joint Parliamentary Committee for Oversight over the Work of the Bosnia and Herzegovina Intelligence Agency was completed in June. On 27 August, the House of Representatives of Bosnia and Herzegovina also appointed members of the Parliamentary Assembly of Bosnia and Herzegovina to the Parliamentary Board for Stabilization and Association between the Parliamentary Assembly and the European Parliament.

46. Following the rotation of the chair of the House of Representatives of Bosnia and Herzegovina in August 2015, SNSD delegates resumed full participation in the work of the House, following months of regular plenary walk-outs. I welcome their return to work.

Amendments to the Election Law

47. The new inter-agency working group, established under the auspices of the Parliamentary Assembly of Bosnia and Herzegovina to propose improvements to the Bosnia and Herzegovina Election Law, held its first two sessions in October.

[5] The budget for 2015, the Law on Asylum, the Law on Foreigners and the Law on Non-Working Days during Religious Holidays, as well as amendments to the Bosnia and Herzegovina Criminal Code, the Law on Misdemeanors, the Law on Consumer Protection, the Law on Salaries and Allowances in Bosnia and Herzegovina Institutions and the Law on Associations and Foundations.

[6] The budget for 2015, the Law on Custom Policy, the Law on Obligations in Civilian Navigation, as well as amendments to the Bosnia and Herzegovina Criminal Code, the Law on the Public Broadcasting System, the Bosnia and Herzegovina Residence Law, the Law on Salaries in Bosnia and Herzegovina Institutions, the Law on Misdemeanors and the Law on Personal Identification Number.

Appointment of the new Bosnia and Herzegovina Ombudsmen for Human Rights

48. In October, the Bosnia and Herzegovina Parliamentary Joint Committee for conducting the appointment of Bosnia and Herzegovina's three Ombudsmen for Human Rights interviewed 17 candidates. The selection process was conducted transparently, with the involvement of civil society, and the ranking of candidates was submitted to the Parliamentary Assembly of Bosnia and Herzegovina for final appointment.

IV. Federation of Bosnia and Herzegovina

Breakdown of the Federation coalition

49. The governing coalition in the Federation unravelled in May over a dispute between the DF party and HDZ Bosnia and Herzegovina about party control of public companies. HDZ Bosnia and Herzegovina ministers boycotted two sessions over the issue, and on 4 June, the Federation government adopted a controversial decree on the exercise of powers in companies in which the Federation has an ownership stake, transferring authorities previously exercised by individual ministers to the government as a whole. In reaction, DF announced that the party would withdraw from the coalition by not attending government sessions, while DF ministers would remain in office until officially dismissed. Federation Vice-President Milan Dunović (DF) filed a request before the Federation Constitutional Court for the review of the constitutionality of the decree of 4 June. The government continued to hold sessions, as the Party of Democratic Action (SDA) and HDZ Bosnia and Herzegovina ministers have a quorum to take decisions, even without DF. On 12 June, four DF ministers (Minister of Energy, Mining and Industry, Minister of Trade, Minister of Labour and Social Policy, and Minister of Environment and Tourism) submitted their resignations to the Federation President, Marinko Čavara (HDZ Bosnia and Herzegovina). On 15 June, Federation President Čavara accepted the resignation of the Minister of Energy but not those of the other DF ministers. On 15 September, the Federation President accepted the resignation of a second DF minister, the Minister of Environment and Tourism.

50. Despite the coalition problems, the Federation Government held 25 regular and 14 extraordinary sessions during the reporting period, adopting 6 new laws and amendments to 27 existing laws. The Federation Parliament was less active, with the Federation House of Representatives holding two regular and three extraordinary sessions during the reporting period, adopting 3 new laws and amendments to 11 existing laws. The Federation House of Peoples held three regular sessions and three extraordinary sessions during the reporting period, adopting 9 new laws and amendments to 16 existing laws.

51. The Federation authorities deserve praise for having succeeded in adopting the new Federation Labour Law, a significant reform foreseen under the Reform Agenda.

52. On 20 August, the Federation government discussed the no-confidence motion against the government proposed on 15 July by Federation House of Peoples delegates from DF, the Party for a Better Future (SBB), SNSD, Nasa Stranka and the Social Democratic Party (SDP). On 30 September, the motion was defeated in the House.

53. Ever since DF left the coalition, the Federation government has been in effect a minority government relying on votes in the Federation Parliament from parties

that are not part of the ruling coalition. In the light of this, SDA and HDZ Bosnia and Herzegovina have been actively seeking new coalition partners. On 19 October SDA and SBB signed a coalition agreement on joint action at all levels of government. At the time of this writing, the new coalition members appear to be SBB, the Party for Bosnia and Herzegovina (SBiH) and the Activist Democratic Party (A-SDA), which, together with SDA and HDZ Bosnia and Herzegovina, have 62 of the 98 delegates in the Federation House of Representatives.

Mostar

54. No concrete progress was made during the reporting period to implement the ruling of 2010 by the Bosnia and Herzegovina Constitutional Court on the Mostar electoral system. The City has no functioning City Council, the Mayor of Mostar continues in a caretaker capacity and the citizens of Mostar continue to be denied their basic right to elect local representatives. In June, 10 opposition political parties, gathered under the name Initiative for Mostar, initiated talks, which are ongoing, in an attempt to facilitate a breakthrough. Local officials from SDA and HDZ Bosnia and Herzegovina also restarted their talks in October.

55. The budget for 2015 for Mostar was proclaimed on 8 May, and published in the Mostar City *Official Gazette* on 11 May. It amounts to BAM 51.2 million, which is a decrease of 9.7 per cent compared with the budget for 2014.

V. Republika Srpska

56. The reporting period in the Republika Srpska has been dominated by the steps taken by the Republika Srpska authorities regarding the announced referendum and political attacks on representatives in the Bosnia and Herzegovina institutions from the Republika Srpska for alleged betrayal of its interests. On 4 September these attacks took on a menacing character when the Republika Srpska President, Milorad Dodik, threatened to have legislation adopted that would introduce the crime of treason in the Republika Srpska for State-level officials coming from the Republika Srpska. I want to make clear that State-level officials are independent, with their own clearly defined rights and responsibilities and are not bound by orders or instructions coming from lower-level authorities.

57. The Republika Srpska President has also continued to make statements denying genocide, reiterating his view that what happened in Srebrenica was not genocide but rather a grave crime.[7]

58. During the reporting period the Republika Srpska government held 26 regular sessions. The Republika Srpska National Assembly has held four regular and three special sessions. During the reporting period, it adopted 10 new laws and amendments to 14 existing laws.

59. The Republika Srpska authorities have continued their policy of attempting to further regulate activities of civil society and public expression. On 21 May, the Republika Srpska National Assembly removed the controversial Law on Transparency of the Work of the Non-Governmental Organization Sector and the Law on Public Gathering from the session's agenda, following strong criticism by the opposition and

[7] *Večernje Novosti*, 26 May 2015.

the non-governmental organization sector, which saw the legislation as a form of pressure against them. These two laws were seen as connected to the Law on Public Peace and Order, which the Republika Srpska authorities adopted on 5 February. This law defines the Internet and social networks as "public space", putting them under regulation by the law.

Non-cooperation with the High Representative

60. The Republika Srpska authorities have continued their policy of denying the High Representative access to official information and documents required to fulfil his mandate. Under annex 10 to the General Framework Agreement for Peace, all authorities in Bosnia and Herzegovina are obliged to fully cooperate with the High Representative as well as with the international organizations and agencies as provided for in article IX of the Agreement. The practice of the Republika Srpska government not to provide information and documents requested by the Office of the High Representative goes back to 2007. Repeated calls by the Peace Implementation Council reminding them of their obligation to ensure that the High Representative has full access to documents in a timely fashion have had no impact. This policy contradicts the frequent claim that the Republika Srpska respects the letter of the Agreement.

61. The reporting period has also seen an escalation of verbal attacks on the Office of the High Representative and the High Representative in particular. Statements include challenges to the executive authorities of the High Representative, derogatory descriptions of the Office, and personal insults against the staff of the Office and the High Representative.

VI. Entrenching the rule of law

62. The European Union-led Structured Dialogue on Justice continued during the reporting period in the shadow of the announced referendum in the Republika Srpska on the State judicial institutions and the authorities of the High Representative.

Justice Sector Reform Strategy

63. On a more positive note, on 8 September, the Council of Ministers of Bosnia and Herzegovina finally adopted the new Justice Sector Reform Strategy for 2014-2018. The adoption followed a new round of consultations between the entities, the Brcko District and the State, after the Republika Srpska asked for certain changes to the text previously agreed and adopted by the Federation and the Brcko District in 2014.

Anti-corruption efforts

64. The implementation of legislation adopted by the Federation in July 2014 to create a special prosecutors' department for corruption is still delayed. While officially in force, the legislation cannot be applied because of a lack of allocated budgetary resources. As a result, corruption prosecutions in the Federation might cease altogether, owing to legal uncertainty about jurisdiction. The Federation Government should either enable the new law to be applied, or put it out of force and revert to the old jurisdictional arrangement.

Prosecution of war crimes

65. The Supervisory Board for the Implementation of the War Crimes Prosecution Strategy continues to meet regularly, with the backlog of cases in the prosecutor's offices being systematically reduced. The Board concluded that the goal of reduction of war crimes cases in the prosecutors' offices by 15 per cent by 30 June 2015 had been met.

66. On 10 September, the Ministers of Justice of Bosnia and Herzegovina, the Federation, and the Republika Srpska, and the Brcko District Judicial Commission President signed the "Protocol on the outcome of the ministerial meeting in the framework of the European Union-Bosnia and Herzegovina Structured Dialogue on Justice", in which they stated that the national War Crimes Prosecution Strategy should be revised in order to identify new feasible deadlines for its implementation and to enhance the monitoring role of the Supervisory Board.

VII. Public security and law enforcement, including intelligence reform

67. The practice of political interference in operational policing remains a serious challenge and has continued through the delaying of appointments of police directors and the formation of the independent boards which select them. The appointment of the Director of the Federation Administration of Police is still pending owing to an ongoing court dispute over the validity of an already conducted selection process. The appointments of new police commissioners in West Herzegovina Canton and Canton 10 are outstanding. The appointments of independent selection boards have been delayed in Posavina, Tuzla and Bosnian-Podrinje cantons.

68. New internal affairs legislation in Bosnian-Podrinje Canton was adopted in June 2015. Similarly, a new Sarajevo Canton Law on Internal Affairs was adopted by the Cantonal Assembly in first reading in May 2015. New police official legislation was adopted by the Federation Government in the first reading in August 2015 and awaits parliamentary procedure.

69. The Office of the High Representative continues to monitor changes to police legislation and encourage its harmonization in jurisdictions throughout the country.

Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

70. On 18 September, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) lifted its Public Statement of 14 April 2014 on Bosnia and Herzegovina, whereby it had called upon States to advise their financial institutions to apply enhanced due diligence measures to transactions involving Bosnia and Herzegovina. The Statement was lifted after the Bosnia and Herzegovina Parliamentary Assembly passed amendments to the Bosnia and Herzegovina Criminal Code, as recommended by MONEYVAL. For the same reason, Bosnia and Herzegovina was also removed from the MONEYVAL Compliance Enhancing Procedures.

Amendments to the Law on Temporary and Permanent Residence

71. In July, the Bosnia and Herzegovina House of Peoples adopted amendments to the Law on Temporary and Permanent Residence, which provide for more thorough verification of residence applications. In August, members of the Bosniak Caucus in the House of Peoples requested an assessment of the constitutionality of the law from the Bosnia and Herzegovina Constitutional Court. The Court has not yet issued a ruling.

Removal of the Director of the State Investigation and Protection Agency

72. In August, the Council of Ministers of Bosnia and Herzegovina dismissed the Director of the State Investigation and Protection Agency, Goran Zubac, after the Bosnia and Herzegovina Court confirmed a first-instance guilty ruling against him for lack of commitment in office in relation to the non-deployment of the Agency during the riots of 7 February 2014 in Sarajevo. A new selection and appointment process for the Director post is under way.

VIII. Economy

Economic indicators

73. Compared with the same period in 2014, the available economic indicators for 2015 are encouraging. In the first eight months of the year, Bosnia and Herzegovina registered a 4.9 per cent increase in exports, a 0.2 per cent decrease in imports and a consequent 6.2 per cent decrease in its foreign trade deficit. Industrial production in July increased by 2.3 per cent over the same month in 2014. The price level was lower by 1.1 per cent than a year ago. Continued increases were registered in indirect tax revenue collection. In the period from January to August, Bosnia and Herzegovina collected BAM 4.140 billion from indirect taxes, which is 3.5 per cent, or BAM 143 million, more than the same period in 2014. Positive trends in foreign trade and indirect tax revenue collection are expected to continue in 2015. Growth projections for the year by international financial institutions are positive and range around 1.9 per cent.

74. Other available indicators are similar to those for 2014. The average net monthly salary in July amounted to BAM 838, only a 0.2 per cent increase, while the average pension in June amounted to BAM 358, an increase of 1.4 per cent from June 2014. The minimum pension in the Republika Srpska is BAM 174 and BAM 326 in the Federation. Retirees are among the most vulnerable segments of the population, not only because of low pension levels but also owing to a continued increase in the number of retired persons, which is not matched by a corresponding number of employed contributors. In the Republika Srpska, the number of retirees has already exceeded the number of employed, while in the Federation, the number of employed is marginally higher. An additional problem for the sustainability of the entity pension funds is their low rate of collection of contributions.

75. Unemployment levels remain a major concern. At the end of July, there were 542,936 unemployed persons — a decrease of 1 per cent compared with the same period in 2014 — and the administrative unemployment rate was still about 44 per cent. The share of youth in total unemployment is about 60 per cent. Also discouraging are foreign direct investment levels. According to the Bosnia and

Herzegovina Central Bank, foreign direct investment in the first quarter of 2015 amounted to BAM 84.7 million, a decrease of 77.6 per cent compared with 2014.

76. Bosnia and Herzegovina's credit and business ratings have slightly improved. Standard & Poor's Ratings Services affirmed the "B" credit rating of Bosnia and Herzegovina and its stable outlook on 11 September, based on the expectation of continued international financial assistance to the country, which balances identified deficiencies and risks such as fragile, overlapping institutions, weak fiscal management and so forth. The United Nations Conference on Trade and Development *World Investment Report 2015* ranked Bosnia and Herzegovina fourth by foreign direct investment inflows in 2014 in the region of South-East Europe. The Fraser Institute publication *Economic Freedom of the World: 2015 Annual Report* lifts Bosnia and Herzegovina up from 85th to 78th place of 157 countries and places it for the first time in the company of economically freer countries.

Fiscal issues

77. The overall fiscal situation is somewhat better than in 2014, thanks to a continued increase in indirect tax revenue collection and reduced foreign debt payment obligations. Still, substantial fiscal challenges remain, also owing to the absence of international financial assistance.

78. Concerns about increasing public debt remain. According to the "Information on the state of the public debt of Bosnia and Herzegovina on 31 December 2014", prepared by the Bosnia and Herzegovina Ministry of Finance and Treasury, total public debt amounts to BAM 11.5 billion, of which the foreign debt is BAM 8.2 billion and the domestic debt is BAM 3.3 billion. This means that total public debt in Bosnia and Herzegovina in 2014 increased by BAM 1.089 billion, or 10.44 per cent.

79. Broken down by entity, the Federation public debt at the end of 2014 amounted to BAM 6.36 billion (foreign: 5.25 billion; domestic: 1.10 billion), while the Republika Srpska public debt amounted to BAM 5.05 billion (foreign: 2.89 billion; domestic: 2.16 billion). It is also worth noting that the Republika Srpska share in the total domestic debt is estimated at 65.75 per cent, with the Federation share at 33.63 per cent, and the Brcko District at 0.63 per cent.

80. The continuing trend of indebtedness of the "General Government of Bosnia and Herzegovina" (which includes all levels of government, social welfare funds and public road directorates) was also noted in the "Information on fiscal sustainability of Bosnia and Herzegovina", prepared by the Bosnia and Herzegovina Directorate for Economic Planning. According to the information, the verified public debt at the end of 2014 reached 42.2 per cent of gross domestic product (GDP). The situation is worse in the Republika Srpska, where the government sector debt reached 60 per cent of GDP, while in the Federation such debt is estimated at 38.8 per cent. The Bosnia and Herzegovina Directorate for Economic Planning warned that the high indebtedness of the Republika Srpska could jeopardize the overall fiscal sustainability in Bosnia and Herzegovina. Growing public debt throughout the country led to an increase in debt servicing obligations, which reached 12 per cent of budget revenues in 2014. This is four times more than at the beginning of 2008. An increase in debt servicing obligations is particularly evident with regard to domestic debt. Although domestic debt accounts only for one third of the total debt, the amount needed for its servicing in 2014 was almost equal to the amount needed for servicing the external debt.

81. Owing to the pace of government formation, the Law on the Budget of the Bosnia and Herzegovina Institutions and International Obligations for 2015 (State budget) was adopted by the Parliamentary Assembly of Bosnia and Herzegovina only on 18 May. It amounts to BAM 1.563 billion, which is a 13 per cent decrease from 2014. Of this amount, BAM 613 million is planned for servicing the foreign debt, which is a 28 per cent decrease compared with 2014, while BAM 950 million goes to financing the Bosnia and Herzegovina institutions. The amount available for financing the Bosnia and Herzegovina institutions, of which BAM 750 million comes from indirect tax revenue, has been locked at the same level for four consecutive years. On the basis of the Global Framework of Fiscal Balance and Policies in Bosnia and Herzegovina for the period 2016-2018 that sets a budget framework of the Bosnia and Herzegovina institutions for the relevant period, the amount for financing the institutions, including the amount they receive from indirect tax revenue, is unlikely to increase over the next three years. While this does not pose a risk to the functioning of the Bosnia and Herzegovina institutions, it does raise questions concerning the fulfilment of their obligations, including those relevant for the European Union and NATO.

82. Both entity budgets show significant reliance on international and domestic borrowing: 27.5 per cent of the total amount in the Federation budget for 2015 and 21.8 per cent of the total amount in the Republika Srpska budget for 2015. Fiscal pressures have additionally increased, owing to the absence of international financial disbursements caused by the failure to meet commitments under the IMF Standby Arrangement that expired on 30 June. Those were somewhat mitigated by stable indirect tax revenues and domestic borrowing through the issuance of government securities. However, both entities are looking into alternative financing options to cover the budget gap that should have been covered by international financial assistance, and in this regard both will have to rebalance their budgets for 2015. While the Federation Parliament adopted a rebalanced budget on 9 October, substituting IMF funds with domestic borrowing, to date the Republika Srpska has taken no steps towards rebalancing its budget. This points to the need for renewed negotiations with international financial institutions, primarily IMF, on a new financial arrangement. Initial discussions between Bosnia and Herzegovina and IMF have already been conducted, but IMF approval of any future arrangement with Bosnia and Herzegovina will depend on the country's progress in meeting a number of prior actions, including some of the outstanding requirements from the previous Standby Arrangement. One of those is the new Labour Law, which the Federation adopted on 30 July and the Republika Srpska has yet to adopt.

83. The fiscal situation at the cantonal level in the Federation improved in the first six months of 2015 compared with the same period in 2014. The reasons for improvement included a 12 per cent increase in domestic revenue, a 3 per cent decrease in total expenditures and spending limits in the first quarter of the year owing to temporary financing. A comparison of the consolidated budget execution reports for the first half of 2014 and 2015 shows that the cantonal budgets in 2015 recorded a surplus of BAM 84.9 million, while in 2014 they had a deficit of BAM 42.7 million. These are positive developments, as the cantons are of key importance for the fiscal and social stability of the Federation and the State. Despite this, the Federation has been trying to secure additional funds to meet shortfalls in revenue.

84. The situation is particularly difficult in the capital city of Sarajevo, where city financing was never adequately regulated. Amendments to the Law on Allocation of

Public Revenues of the Federation of Bosnia and Herzegovina in May 2014 omitted the city, and, as a consequence, the city has not received any indirect tax revenue since then. To remedy the situation, the High Representative wrote to the Chair of the Council of Ministers of Bosnia and Herzegovina and to the Federation and Sarajevo Canton Prime Ministers on 16 September and requested that an appropriate legal solution be put in place without delay that would secure both the status and the issue of financing for the City of Sarajevo, in a fair and sustainable manner. The Office of the High Representative has also engaged with the relevant authorities to identify and adopt an interim solution that would provide immediate financing, thereby ensuring the continued functioning of the City until the problem is resolved more systemically.

International obligations

85. The adoption by the Parliamentary Assembly of Bosnia and Herzegovina of the Framework Transport Policy for the period 2015-2030 on 30 July set sustainable transport development as a crucial element of the overall economic development of the country. Its adoption was an important prerequisite for access by Bosnia and Herzegovina to available financing in 2015.

86. On 23 September, the Energy Community Ministerial Council declared Bosnia and Herzegovina in persistent breach of its Energy Community Treaty obligations in the gas sector and discussed the possibility of sanctions should progress not be made by its next meeting in 2015. In the absence of progress on a law regulating the gas sector in Bosnia and Herzegovina that would bring it in line with its obligations, the Energy Community Ministerial Council decided, on 16 October, to suspend the right of Bosnia and Herzegovina to participate in certain decision-making procedures falling under the treaty, and to suspend reimbursement for Bosnia and Herzegovina representatives at meetings of the Energy Community. The Council also invited the European Union to take appropriate measures for the suspension of financial support granted to Bosnia and Herzegovina in the sectors covered by the Energy Community Treaty. According to the decision of the Council, the effect of the sanctions is limited to one year upon its adoption and will be subject to review at the next meeting of the Ministerial Council in 2016. The required law has not been adopted owing to continued opposition of the Republika Srpska authorities to the regulation of certain aspects of the gas sector at the State level and the designation of a State regulator for gas.

IX. Return of refugees and displaced persons

87. Upholding the right of refugees and displaced persons to return to their pre-war homes remains central to the full implementation of annex 7 to the General Framework Agreement for Peace, which requires State- and entity-level authorities "to create in their territories the political, economic, and social conditions conducive to the voluntary return and harmonious reintegration of refugees and displaced persons, without preference for any particular group".

88. While the provision of appropriate accommodation for displaced persons remains essential, an environment that is conducive for sustainable return is equally important and requires the full implementation of the return strategy that was adopted by the authorities in 2012. In this respect, I remain particularly concerned about the difficulties that continue to arise in the education sector in several

returnee communities, not least the ongoing dispute regarding the use and name of official languages primarily in the education system in the Republika Srpska, but also in a number of cantons in the Federation, which is causing unnecessary difficulties for pupils and parents.

X. Media developments

89. Efforts to establish an independent and viable public broadcasting system in Bosnia and Herzegovina continue to encounter difficulties, not least due to the long-running failure to establish the Public Broadcasting System Corporation to facilitate cooperation among the three public broadcasters.

90. The ongoing failure of the Public Broadcasting System Board to register the Corporation has also undermined the changeover from analogue to digital terrestrial broadcasting. The Bosnia and Herzegovina Ministry of Communications and Transport purchased equipment for the first phase of digitalization, but the Republika Srpska public broadcaster conditioned its transfer and installation on the transfer of the ownership rights to the individual broadcasting services. On 3 August 2015, the Council of Ministers of Bosnia and Herzegovina adopted a decision transferring ownership rights over specified digitalization equipment to individual broadcasting services. On 1 October 2015, the Ministry of Communications and Transport and the three public broadcasters signed a contract that regulates this matter further, and appears to be unblocking the digitalization process.

91. I remain concerned about the financial sustainability of the public broadcasting system as interim contracts for collecting the radio-television tax with telecom operators expire at the end of the year, and there is no indication that a new method for collecting the tax is close to agreement.

92. The Council of Ministers of Bosnia and Herzegovina still has not appointed a new director to the State-level Communications Regulatory Agency, which regulates and oversees public and private electronic media (television and radio) throughout the country. This appointment appears to be blocked owing to political negotiations over appointments to other State institutions. The eight-year failure to appoint a new director continues to have a detrimental effect on the functioning of the Agency.

XI. Defence matters

93. The pace of the disposal of ammunition, weapons and explosives stockpiles has improved, but remains relatively slow. The risk of accidental explosion remains, owing to ageing stockpiles and poor storage conditions. An agreement to establish a mechanism through which surplus stockpiles could be sold remains out of reach, and this method of disposal remains a concern given the poor quality of the material in question.

XII. European Union military force

94. The European Union military mission in Bosnia and Herzegovina (EUFOR) continues to play an important role in supporting the efforts of Bosnia and Herzegovina to maintain a safe and secure environment. This, in turn, assists my

Office and other international organizations to fulfil their respective mandates. The presence of EUFOR on the ground, including through its liaison and observation teams, remains an important contribution to stability and security.

XIII. Future of the Office of the High Representative

95. The political directors of the Peace Implementation Council Steering Board met in Sarajevo on 9 and 10 June 2015 to underline their unequivocal commitment to the territorial integrity and sovereignty of Bosnia and Herzegovina. The Steering Board also reinforced the need to complete the 5+2 agenda, which remains necessary for the closure of the Office of the High Representative. The next meeting of the Steering Board is scheduled to take place on 1 and 2 December 2015.

96. Since the beginning of my mandate in March 2009, the budget of the Office has been reduced by over 44 per cent and my staff by over 51 per cent. Given these deep cuts, it remains essential that I am equipped with the budget and staff required to carry out my mandate effectively, as I am entitled to under annex 10 to the Peace Agreement.

XIV. Reporting schedule

97. In keeping with the proposals of my predecessor to submit regular reports for onward transmission to the Security Council, as required by Council resolution 1031 (1995), I herewith present my fourteenth regular report. Should the Secretary-General or any Security Council member require information at any other time, I would be pleased to provide an additional written update. The next regular report to the Secretary-General is scheduled for April 2016.